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IN THE MATTER OF THE GENERIC
PROCEEDINGS CONCERNING ELECTRIC
RESTRUCTURING ISSUES.

Docket No. E-00000A-02-0051

IN THE MATTER OF ARIZONA PUBLIC
SERVICE COMPANY'S REQUEST FOR A
VARIANCE OF CERTAIN REQUIREMENTS
OF A.A.C. R14-2-1606.

Docket No. E-01345A-01-0822

IN THE MATTER OF THE GENERIC
PROCEEDING CONCERNING THE
ARIZONA INDEPENDENT SCHEDULING
ADMINISTRATOR.

Docket No. E-00000A-01-0630

IN THE MATTER OF TUCSON ELECTRIC
POWER COMPANY'S APPLICATION FOR A
VARIANCE OF CERTAIN ELECTRIC
COMPETITION RULES COMPLIANCE
DATES.

Docket No. E-01933A-02-0069

IN THE MATTER OF THE APPLICATION
OF TUCSON ELECTRIC POWER
COMPANY FOR APPROVAL OF ITS
STRANDED COST RECOVERY.**RUCO's List of Issues for Track B Hearing**

Pursuant to the Procedural Order of September 24, 2002, the Residential Utility Consumer Office ("RUCO") files its list of specific issues to be addressed at the hearing on Track B.

First, RUCO believes the existing utilities should be required to submit bids for power into the competitive solicitation process that reflect their own self-build options on a traditional,

1 regulated cost-of-service basis. In light of the Commission's findings in the Track A order that
2 the wholesale market is not currently workably competitive (Finding of Fact No. 25) and that
3 the FERC has not yet defined or implemented an effective regulatory and oversight approach
4 for competitive energy markets (Finding of Fact No. 26), the Commission can expect the Track
5 B process to produce bids from independent power producers that will result in just and
6 reasonable prices. The utilities' self-build bids, which would propose very long-term contracts,
7 would provide a competitive baseline against which the non-utility bids would be assessed. If
8 the independent power producers' bids beat out the utility self-build option bids over either the
9 short, medium, or long-term, then the utility bids would not be accepted. Thus, while RUCO
10 hopes the Commission is correct in its Finding of Fact No. 37 that the Track B competitive
11 bidding process "will encourage a phase-in to competition [and competitive market prices],
12 encourage the development of a robust wholesale market for generation, and obtain some of
13 the benefits of the new Arizona generation resources, while at the same time protecting
14 ratepayers", the Commission must ensure that ratepayers are protected by requiring the self-
15 build option bids by existing utilities for both new peaking and baseload resources. By
16 requiring such bids, the Commission can insure that ratepayers will be no worse off under the
17 new competitive bidding approach for acquiring new generating resources than they would
18 have been under traditional rate regulation.

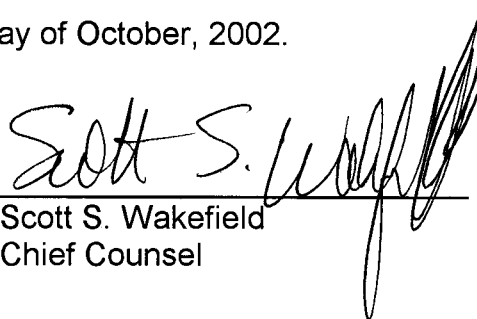
18 Second, RUCO believes that the Track B solicitation process should explicitly include a
19 least cost planning process for selecting winning bids. While RUCO does not contend that
20 price should be the only criteria on which bids are compared, RUCO strongly advocates using
21 delivered price as the most highly weighted criteria, once the other criteria pass a
22 reasonableness test. In addition, RUCO recommends that "delivered price" be taken into
23 account by including it in a least cost planning calculation. Least cost planning involves the
24 minimization of the present value of revenue requirements over the long term, usually 20-30
years. Therefore, competitive bids should be encouraged to be submitted for anywhere from

1 1-30 years as part of the solicitation process, and not only for the short to medium terms. In
2 addition, the bid evaluation period must be long enough to permit evaluation of bids to result in
3 a least cost mix.

4 Finally, RUCO believes that the Staff's proposal for a "price to beat" safe harbor is
5 technically incompatible with a least cost planning framework, and is therefore not practical.

6 RUCO reserves the right to raise other issues based on the final Staff proposal as it will
7 be outlined in the anticipated October 25, 2002 Staff Report.

8 RESPECTFULLY SUBMITTED this 1st day of October, 2002.

9
10 
11 Scott S. Wakefield
Chief Counsel

12 AN ORIGINAL AND EIGHTEEN COPIES
13 of the foregoing filed this 1st day
of October, 2002 with:

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17 COPIES of the foregoing hand delivered
this 1st day of October, 2002 to:

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By Cheryl Fraulob
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